CHAPTER 3

REPORTING PERSONAL PROPERTY

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The personal property valuation and assessment system places responsibility on the taxpayer to annually report all taxable personal property. The personal property statements provide for the identification of the property, the year it was acquired, and the property's acquisition cost. This information enables the County Assessor to apply the appropriate property valuation table factors needed to calculate the current full cash value of the personal property.

Although the taxpayer has the primary responsibility to report personal property to the County Assessor when requested, the Assessor may also use other methods to discover personal property to be assessed. The most widely used methods of discovery include the review of information contained in newspaper advertisements, announcements of new business openings, sales tax licensing registration lists, telephone directories, membership listings in local Chambers of Commerce, canvassing, and building permits and certificates of occupancy.

The County Assessor is responsible for identifying persons owning, possessing, or controlling personal property. The taxpayer must report specific items and acquisition costs of personal property. A.R.S. §§ 42-15052 and 42-15053 provide that, on demand by the County Assessor, each person, firm, corporation or association owning, controlling, or having possession of taxable personal property must file a correct list of all such property in the county. The list must be filed under oath, or affirmation, by the person making the report. A.R.S. § 42-15053 prescribes that this list must be returned to the County Assessor on or before April 1.

A.R.S. § 42-15055(C) provides that a penalty equal to ten percent of the full cash value of the personal property shall be added to the value of the property for late reporting. Pursuant to A.R.S. § 42-15053(F), every list filed with the County Assessor may be subject to audit. The County Assessor may abate all or part of the penalty if a personal property statement is filed within thirty days after the due date, pursuant to A.R.S. § 42-15055(D).

A failure to demand the listing or a failure to receive the listing does not preclude the County Assessor from making an assessment of the personal property and entering it on the tax roll, pursuant to A.R.S. § 42-15053(D).

Reports filed with the County Assessor must contain full and complete lists of property in the possession or control of the taxpayer. A full and complete list must include all acquisition costs associated with the personal property reported on the list for assessment.

Any difference between acquisition costs for personal property as recorded on the taxpayer's books and records and the acquisition cost amounts reported to the County Assessor may be subject to taxation as escaped property. A.R.S. § 42-15054. If the taxpayer fails to provide adequate documentation, the Assessor should issue a Notice of Value based on the best information available.

The existence of leased property, or any property belonging to others, which is located on the taxpayer's premises, should be reported. This is necessary to assure that all taxable personal property is assessed to the appropriate owner.

New businesses started after January 1 are not required to report personal property until the following year. Personal property in the taxpayer's possession as of December 31 must be reported by the taxpayer. Proration is not required for businesses entering the tax rolls for the first time.

REPORTING SUMMARY

The key points on reporting that apply to both agricultural and business personal property are as follows:

1. A property statement must be provided by the taxpayer to the County Assessor. A.R.S. §§ 42-15052 and 42-15053.
2. The County Assessor may renew the demand annually.

3. Personal property is reported as of December 31 of the previous year unless otherwise specified.
4. Property statements are due on or before April 1. A.R.S. § 42-15053.
5. All property, including fully depreciated property, under the control of the taxpayer as of December 31 of the prior year must be reported.
6. The form must be completed as required and signed by the property owner or the owner's authorized agent.
7. The property statements shall not be open to public inspection, except that such lists may be used as evidence in any prosecution brought under A.R.S. § 42-15055. A.R.S. § 42-15053.
8. The taxpayer should attach supplemental information where appropriate.
9. A failure of the owner to timely prepare and return the property statement shall result in an addition of a ten percent penalty to the full cash value. The County Assessor may abate all or part of the penalty if the personal property statement is filed no later than thirty days after the due date. A.R.S. § 42-15055(D).
10. An assessment of the property can be made even though no request or demand for a property statement was made by the County Assessor. A.R.S. § 42-15053(D).
11. All property statements are subject to audit. A.R.S. § 42-15053(F)(2).

ARIZONA BUSINESS PERSONAL PROPERTY AND AGRICULTURAL BUSINESS PERSONAL PROPERTY REPORTING FORMS

The Arizona Business Property Statement (DOR Form 82520) and the Arizona Agricultural Business Property Statement (DOR Form 82520A) are provided to accommodate the reporting of agricultural, business, and other personal property as required by law. Personal property statements and instructions are available from County Assessor.

These personal property reporting forms provide for taxpayer identification and property description information. New businesses are required to provide additional data. Acquisition costs and year of acquisition information for personal property items reported in previous years will be preprinted on the front page of the forms by the County Assessor.

The backs of the personal property statements serve as listing pages for additions and deletions of taxable personal property. Information concerning the requirements for listing taxable animals, leased or rented property, unowned property (e.g., vending machines), or property that is located on government-owned land is requested on these statements. (See the report form's instructions for details.)

MIXED-USE CLASSIFICATION (Commercial and Agricultural)

Property that can be classified under two or more legal classes may be classified as having a "mixed-use." A mixed-use requires that the County Assessor mathematically blend two or more assessment ratios in order to establish a proper representation of use for property tax purposes. The legal classification indicator for a mixed-use assessment ratio appears as an "M" on the valuation notice. If a parcel of land is utilized for both commercial and agricultural activities, a mixed-use classification and assessment ratio is applied. For example, a farm stand and a restaurant facility located on the same parcel as cropland is a mixed-use of the property. When reporting personal property, if the property utilized in the farm stand and restaurant does not fit the schedules on the Arizona Agricultural Business Property Statement (DOR Form 82520A), a separate Arizona Business Property Statement (DOR Form 82520) should be filed in addition to DOR Form 82520A.

PROCESSING RETURNS BY COUNTY ASSESSOR

On receipt of the completed personal property statement, the County Assessor will process the information and prepare it for entry on the tax roll as follows:

Existing Account. For an existing account, the County Assessor should complete the following procedures:

1. Determine whether or not the personal property statement was received on time. Late returns are subject to a ten-percent penalty. The County Assessor may abate all or part of the penalty if the form is filed within thirty days after the due date. A.R.S. § 42-15055(D).
2. Review the statement to determine if there has been a change of address or if any other identification information is needed.
3. Review the back of the statement and any attachments for additions or deletions on the list of personal property or for other new information provided by the taxpayer. Further, review any additional information pertaining to items that were acquired in prior years that are being reported for the first time.
4. Determine whether or not any such property has escaped taxation and if it should be valued and assessed for prior years.
5. Owners or their agents must sign and date the statement as a declaration that true and complete information has been provided.

New Account. For a new account, the County Assessor should complete the following procedures:

1. Assign a taxpayer number / account number. This number identifies the county, the taxpayer and the assessment year.
2. Parcel Number. At the discretion of the Assessor, a parcel number may be listed to aid in the location of the personal property.
3. Prorate. No business personal property is prorated except that which is leased or rented from the inventory of a wholesaler or retailer (see below). The County

Assessor should enter the number of days for which any personal property is subject to proration in the "Prorate" box.

4. Penalty. If a late filing penalty of ten percent is added, the "10% Penalty" box will be marked on the form.
5. Check the name, address and location data for accuracy. This information is used to establish the mailing address of the taxpayer on the database.
6. All information should be complete. It must provide enough detail to select the proper valuation tables and economic lives.
7. Owners or their agents must sign and date the statement as a declaration that true and complete information has been provided to the Assessor.

PRORATION OF PERSONAL PROPERTY TAXES

Proration of personal property occurs when the property is periodically leased or rented from the inventory of a retailer or wholesaler. A.R.S. § 42-19103. Retailers or wholesalers who periodically lease inventory are required to file a report of this activity using the Property Leased or Rented From Inventory form (DOR Form 82527). That form must be filed with the County Assessor not later than the tenth day of each month for the preceding month's activity. The Assessor will calculate the prorated full cash value. The formula used to prorate the value is as follows:

Full cash value	X	0.00274 (where 0.00274 = 1 ÷ 365)	X	number of days leased	=	prorated full cash value

If the lease agreement for an inventory item extends beyond the end of the current year and into the subsequent year, separate billings should be prepared to account for the lease time in each year. This proration does not apply to personal property that is owned and held by persons primarily engaged in the business of renting personal property. Such property is taxable, whether or not it is rented.

AUDITING

The goal of an audit is to determine that all personal property is being reported and that the amounts reported are accurate. The audit may be conducted at the place of business, the location where the owner keeps the books and records, or in the County Assessor's office. The auditor should view the property, if possible, even though it may be located at a site other than where the audit is being conducted.

Pursuant to § 42-15054(B), the County Assessor has been provided the authority to make such investigations as are necessary to insure that all property subject to property taxation in the county is properly included on the tax rolls. If the County Assessor believes that persons have not reported a complete list of property in their possession or control, the Assessor may investigate as considered necessary to ascertain the extent and value of the property. The County Assessor shall conduct the investigation in such a manner that would discover and correct errors in the taxpayer's favor as well as discovering and correcting errors not in the taxpayer's favor. A.R.S. § 42-15054(C). Additionally, A.R.S. § 42-15053(F) provides that, while not open to public inspection, every list filed with the County Assessor (1) may be used as evidence in any prosecution brought under A.R.S. § 42-15055, and (2) may be subject to audit. These references give the County Assessor and the Department of Revenue the authority to audit any person's records in connection with personal property assessments.

For tax year 1996 and thereafter, the audit time frame is defined by A.R.S. § 42-16256, which limits the time period in which property tax assessment or collection errors may be corrected. A Notice of Proposed Correction – Personal Property (DOR Form 82179P), or a Taxpayer Notice of Claim – Personal Property (DOR Form 82179PT) may be filed to correct an assessment or collection error that occurred in the current tax year or the three preceding tax years. See Chapter 9 of this manual, "Correction of Errors" for more information on this subject.

Additional Charges. If the County Assessor finds property that was under-reported, omitted or escaped, additional charges may be added to the audit results. The conditions under which additional taxes and charges are authorized by law include:

1. A penalty equal to ten percent of the amount of taxes owed may be assessed in addition to the taxes due on property that was not reported or that was discovered by the County Assessor in an audit of personal property. A.R.S. § 42-15055(C).
2. Interest, at the rate of sixteen percent per year simple, will be charged for any delinquent taxes. A.R.S. § 42-18053. The Arizona Tax Court in 1993 allowed the legal rate of interest (ten percent, currently) to accrue from that point in time when the taxes would have been due if the taxpayer had reported correctly.
3. Any person who knowingly fails to file any list of taxable personal property or supply any information required by the County Assessor or the Deputy County Assessor, or who knowingly and with like intent makes, renders, signs or verifies any false or fraudulent information in reporting taxable personal property is guilty of a class 2 misdemeanor. A.R.S. § 42-15055(A) and (B).
4. Any personal property that has been knowingly concealed, removed, transferred or misrepresented by the owner or agent, in an effort to evade taxation, shall be liable for the amount of taxes due on the property, plus a penalty equal to the amount of taxes due for the year in which the discovery is made. A.R.S. § 42-15055(E).
5. If a person whose personal property taxes have been assessed in error reports the error to the taxing authority before receiving the Assessor's Notice of Proposed Correction – Personal Property (DOR Form 82179P), no penalty may be applied and the tax roll shall be corrected to allow property taxes to be levied and collected for the period affected by the error. A.R.S. § 42-16253.